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E.O. 11652: GDS
TAGS: XT, UK
SUBJECT: BRITISH FACTOR IN AMERICAN FOREIGN POLICY

REF: STATE 216662

1. INTRODUCTION. BRITAIN AND THE LABOR GOVERNMENT AWAITED THE ARRIVAL OF THE NEW U.S. ADMINISTRATION WITH ANTICIPATION AND UNEASINESS. ALTHOUGH EAGER TO WELCOME AN AMERICAN PRESIDENT UNTAINTED BY VIETNAM, WATERGATE AND CONFLICT WITH THE CONGRESS, HMG, LIKE OTHER ALLIED GOVERNMENTS, HAD BECOME FAMILIAR WITH THE WAYS OF THE PREVIOUS ADMINISTRATION, WHILE THE NEW PRESIDENT AND HIS ADVISORS WERE LARGEY UNKNOWN. FURTHER, THE UK AND OTHER EUROPEAN ALLIES WERE UNCERTAIN HOW CANDIDATE CARTER'S STATEMENTS ON SUCH CENTRAL ISSUES AS NON-PROLIFERATION, STRATEGIC ARMS CONTROL, CONVENTIONAL ARMS TRANSFERS, AND HUMAN RIGHTS WOULD BE AFFECTED BY THE REALITIES OF PRESIDENTIAL OFFICE.

AFTER EIGHT MONTHS, THE BRITISH HAVE BEEN LARGEY REASSURED. THE UK WATCHED APPROVINGLY AS WASHINGTON RETURNED THE FOCUS OF U.S. DIPLOMATIC ATTENTION TO ITS CLOSEST ALLIES AND RENEWED THE IMPORTANCE OF THE ANGLO-AMERICAN RELATIONSHIP. AND THE NATURAL EMPATHY BETWEEN A LABOR GOVERNMENT AND A DEMOCRATIC ADMINISTRATION WAS REINFORCED BY THE RAPPORT ESTABLISHED BETWEEN THE PRESIDENT AND THE PRIME MINISTER.

THIS IS NOT TO SAY THAT THE BRITISH HAVE ABANDONED THEIR RIGHT TO DISAGREE. FOR EXAMPLE, HMG THOUGHT THAT TOO MUCH ZEAL FOR NON-PROLIFERATION AND HUMAN RIGHTS COULD BE SELF-DEFEATING. BUT IT IS ALSO OUR IMPRESSION THAT THEIR CONCERN IS NOW LARGEY DISSIPATED, THOUGH

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THEY ARE STILL SOMETIMES SKEPTICAL ABOUT OUR MEANS. AS LONG AS BRITISH INTERESTS ARE PROTECTED, HOWEVER, THEY ARE GENERALLY WILLING TO TRY TO HELP US TOWARD OUR ENDS.

IN SEEKING TO EXPLOIT THEIR WILLINGNESS TO HELP, WE MUST BE CONSCIOUS OF THEIR EC LINKAGE AND THE WAYS IT LIMITS THEIR FREEDOM OF ACTION. ON THE OTHER HAND, FURTHER COMMUNIST SUCCESS ON THE CONTINENT WOULD REINFORCE THE UK'S EMPHASIS ON THE TRANS-ATLANTIC CONNECTION.

2. THE DOMESTIC IMPERATIVE. ECONOMICALLY, BRITAIN IS CONVALESCING FROM SERIOUS ILLNESS. A STRONGER POUND, DRAMATICALLY IMPROVED FOREIGN RESERVE AND BALANCE OF PAYMENTS POSITIONS, LOWER INTEREST RATES, AND A DECREASING INFLATION RATE ALL AUGER WELL, BUT WILL NOT, ON THEIR OWN, PROVIDE THE STRENGTH AND SELF-CONFIDENCE NEEDED TO OVERCOME LONGER-TERM FACTORS WHICH HAVE ROBBED BRITAIN OF MUCH OF ITS RESOLUTION AND EFFECTIVENESS ABROAD. AND THERE IS DANGER OF RELAPSE. SOCIALLY DIVISIVE UNEMPLOYMENT WILL REMAIN HIGH AND EXCESSIVE WAGE SETTLEMENTS COULD REKINDLE THE CURRENTLY DECLINING INFLATION RATE.

POLITICALLY, CALLAGHAN'S MINORITY GOVERNMENT WILL BE HARD PRESSED TO REGAIN ITS LOST POPULARITY, BUT WE BELIEVE IT WILL PROBABLY HOLD ON IN PARLIAMENT UNTIL THE FALL OF 1978 OR THE SPRING OF 1979. VIOLENCE WILL CONTINUE IN NORTHERN IRELAND, BUT AT A DIMINISHING LEVEL, WHILE RACE, UNEMPLOYMENT AND INDUSTRIAL DISPUTES

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WILL SUSTAIN A VISIBLE BUT TOLERABLE LEVEL OF DOMESTIC DISQUIET IN THE UK. RESTIVENESS ON THE CELTIC FRINGES OF SCOTLAND AND WALES WILL DIMINISH AS REVISED DEVOLUTION LEGISLATION MOVES THROUGH PARLIAMENT. NONETHELESS, WE EXPECT THE GOVERNMENT, THE OPPOSI-

TION AND THE BRITISH PEOPLE WILL CONTINUE TO BE PREOCCUPIED WITH INTERNAL ISSUES.

DESPITE FOREIGN SECRETARY OWEN'S AMBITION, ENERGY
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AND RELISH OF RISK, WE DO NOT EXPECT ANY BOLD INITIATIVES OR INNOVATIONS IN FOREIGN POLICY. COSTLY, CONTROVERSIAL OR RISKY POLICIES OVERSEAS WILL BE SCRUPULOUSLY AVOIDED, SINCE THEY COULD DAMAGE THE GOVERNMENT'S POPULAR STANDING. ABOVE ALL ELSE, CALLAGHAN SEEMS DETERMINED THAT HE WILL DECIDE THE TIME OF THE NEXT GENERAL ELECTION, AND WILL NOT PERMIT IT TO BE THE RESULT OF A MISTAKE OR MISJUDGMENT. WITHIN THESE CONSTRAINTS, WE CAN COUNT ON UK SUPPORT FOR MOST OF OUR FOREIGN POLICY INITIATIVES, ESPECIALLY THOSE THAT COST HMG LITTLE MONEY, PROMISE NO SERIOUS DOMESTIC REACTION AND ENDANGER NO SPECIAL OR LONGER-TERM BRITISH INTEREST.

3. MAJOR ISSUES. THE ISSUES DESCRIBED BELOW, WITH EMBASSY RECOMMENDATIONS WHERE APPROPRIATE, ARE THOSE IN WHICH CENTRAL BRITISH INTERESTS ARE ENGAGED OR ON WHICH WE SHOULD CONCENTRATE OUR EFFORTS.

A. THE WESTERN ECONOMY. THE CALLAGHAN GOVERNMENT WILL CONTINUE TO PRESS ITS MAJOR INDUSTRIALIZED TRADING PARTNERS FOR STIMULATIVE ECONOMIC POLICIES, EVEN AT THE RISK OF GREATER INFLATION. CALLAGHAN IS DEEPLY CONCERNED ABOUT THE CONTINUING POST-WAR RECORD LEVEL OF DOMESTIC UNEMPLOYMENT (1.4 MILLION, SEASONALLY ADJUSTED, OR 6 PERCENT OF THE LABOR FORCE) AND PARTICULARLY ITS IMPACT ON BRITAIN'S YOUTH.

THE UK, ACCORDINGLY, WILL LOOK TO THE U.S. TO LEAD IN PRESSING SURPLUS COUNTRIES TO REFLATE. THE BRITISH BELIEVE WE ARE IN THE BEST POSITION TO INFLUENCE JAPAN, THOUGH THEY SEE A MORE SHARED RESPONSIBILITY WITH THE OTHER DOWNING STREET PARTICIPANTS TO PERSUADE THE FRG. IF THESE EFFORTS FAIL TO PRODUCE THE RESULTS CALLAGHAN BELIEVES HE NEEDS, HE MIGHT MOVE FOR A SUMMIT EARLY NEXT YEAR, IF OTHERS AGREE IT WOULD BE USEFUL, BUT HE ALSO IS

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SAID TO WANT TO AVOID A PROLIFERATION OF SUMMITS THAT WOULD DILUTE THEIR IMPACT.

B. SOUTHERN AFRICA. JOINT U.S.-UK DIPLOMACY IN SOUTHERN AFRICA HAS BECOME ALMOST SYMBOLIC OF THE "SPECIAL RELATIONSHIP". ON BOTH RHODESIA AND NAMIBIA, THERE HAVE BEEN FEW LASTING DIFFERENCES BETWEEN US.

THE DEGREE OF BRITISH INVOLVEMENT IN RHODESIA HAS BEEN A SHIFTING BALANCE BETWEEN THE CONSTRAINTS AND RELUCTANCE OF THE LABOR CABINET, ON ONE SIDE, AND THE URGINGS AND SUPPORT OF THE UNITED STATES ON THE OTHER. BUT AS A COLLABORATIVE EFFORT BETWEEN OUR TWO COUNTRIES, RHODESIA HAS GONE WELL AND WE ANTICIPATE NO SERIOUS DIFFICULTIES. IT IS ON THE PROBLEM OF SOUTH AFRICA THAT U.S. AND UK INTERESTS AND STRATEGIES DIVERGE. WHILE THE LABOR CABINET CAN ACCEPT THE POSSIBLE NEED FOR PRESSURE ON PRETORIA, AND EVEN CONTROLLED ECONOMIC ACTION SO LONG AS THESE MOVES REMAIN DIRECTLY RELATED TO RHODESIA, INDEPENDENT ECONOMIC PRESSURE OR A CHAPTER VII DETERMINATION ON THE QUESTION OF APARTHEID CONSTITUTE POLICIES THIS GOVERNMENT (OR ANY LIKELY SUCCESSOR) CANNOT SUPPORT. THE COST WOULD BE ENORMOUS TO BRITAIN. SHORT OF THIS, HOWEVER, THE LABOR CABINET AND PARTICULARLY THE LABOR PARTY ARE IDEOLOGICALLY DISPOSED TO A RANGE OF MORE LIMITED ACTIONS AGAINST PRETORIA WHICH WOULD EXPRESS WESTERN DISAPPROVAL OF SOUTH AFRICA'S RACIAL POLICIES.

C. ENERGY AND NUCLEAR NON-PROLIFERATION. WHILE BRITAIN HAS BEEN COOPERATIVE WITH OUR APPROACHES TO THE ENERGY PROBLEM SINCE THE CRISIS OF 1973, SERIOUS DIFFERENCES MAY ARISE OVER THE REPROCESSING AND RECYCLING OF REACTOR SPENT FUEL ELEMENTS. THE BRITISH, LACKING INDIGENOUS URANIUM ORES, HAVE PUT CONSIDERABLE EMPHASIS ON RECYCLING. THEY ARE UNLIKELY TO REVERSE THIS POSITION AND RELY ON U.S. FUEL SUPPLIES, OR TO RENOUNCE BREEDER REACTOR DEVELOPMENT, IN THE ABSENCE OF NEW TECHNICAL OR OTHER DEVELOPMENTS THAT MIGHT MEET THEIR

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CONCERNS. THE PUBLIC OPENING OF URENCO CENTRIFUGE PLANT AT CAPENHURST LAST WEEK, HERALDED IN THE PRESS AS AN ANSWER TO POTENTIAL MISUSE BY THE U.S. OF ITS ENRICHMENT MONOPOLY, WAS ILLUSTRATIVE OF THESE ATTITUDES. IN ANY EVENT, WITH THE CENTER OF ACTION MOVING NEXT MONTH TO INFCE, THE UK WILL BE ANXIOUS TO SEE WHETHER WE CAN

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DEVELOP SOLUTIONS TO THESE PROBLEMS, OR WHETHER THEIR
RESOLUTION, IN THE FORESEEABLE FUTURE, WILL REMAIN ONLY
A PIOUS HOPE.

D. MULTILATERAL TRADE NEGOTIATIONS. THE EC'S
NEGOTIATING POSITION IN THE MTN IS PARTIALLY DETERMINED
AND TOTALLY IMPLEMENTED BY THE COMMISSION, AND IS A
COMPOSITE IN WHICH THE MAJOR ELEMENTS OF INTEREST TO US
ARE FORGED BY NEGOTIATION AMONG THE MEMBER GOVERNMENTS.

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BRITAIN PROBABLY HAS A HIGHER CONGRUENCE OF POLICY
INTERESTS WITH THE U.S. ON MTN ISSUES THAN ANY OTHER EC
COUNTRY, ESPECIALLY IN THE AGRICULTURAL SECTOR. WE
SHOULD NOT EXPECT A GREAT DEAL FROM HMG, HOWEVER, GIVEN
ITS DOMESTIC CONSTRAINTS AND THE INABILITY OF A SINGLE
MEMBER TO SHIFT THE EC'S MTN POSITION. NEVERTHELESS,
BRITAIN IS POTENTIALLY, ALONG WITH FEDERAL GERMANY,
THE BEST TARGET AMONG THE EC COUNTRIES FOR U.S. EFFORTS.

E. SALT AND EUROPEAN SECURITY. THE BRITISH HAVE

APPLAUSED THE ADMINISTRATION'S RENEWED EMPHASIS ON RELATIONS WITH NATO ALLIES. OUR CLOSE AND FREQUENT CONSULTATIONS WITH HMG CONCERNING EUROPEAN SECURITY ISSUES THIS YEAR HAVE DONE MUCH TO CONVINCE BRITAIN THAT THE U.S. REALLY IS WILLING TO FACTOR ALLIED, AND MORE IMPORTANT, UK VIEWS INTO THE SUPER-POWER ARMS CONTROL EQUATION. THIS ESPECIALLY AND IMMEDIATELY APPLIES TO THE CTB NEGOTIATION WHERE OUR FREQUENT EXCHANGES HAVE KEPT US MOVING IN TANDEM. BUT NO AMOUNT OF CONSULTATION WILL CONVINCE HMG TO RELAX ITS DETERMINATION THAT NON-CIRCUMVENTION LANGUAGE IN SALT II MUST NOT AFFECT EXISTING U.S.-UK NUCLEAR ARRANGEMENTS. THAT IS CHISELED IN STONE.

LESS FIXED IS GROWING UK CONCERN ABOUT SALT, CRUISE MISSILES AND THE THEATER NUCLEAR BALANCE. IT IS DIFFICULT TO KNOW HOW ACUTE THIS ISSUE WILL BECOME IN BRITAIN IN THE NEXT YEAR BECAUSE IT WILL BE INFLUENCED BY WHAT AGREEMENT ON CRUISE MISSILES EMERGES FROM SALT II. BUT WE ARE CONFIDENT THAT HMG WON'T BE ANY LESS INTERESTED 12 MONTHS FROM NOW IN THE THEATER BALANCE THAN IT IS TODAY. INDEED, AS TIME PASSES AND SOVIET THEATER SYSTEMS CONTINUE TO IMPROVE, IT WILL BE PROGRESSIVELY MORE DIFFICULT TO CURB BRITISH AND EUROPEAN INTEREST IN, AND PROBABLY ENTHUSIASM FOR, LONG-RANGE CRUISE MISSILES.

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DEPENDING ON U.S. CRUISE MISSILE DECISIONS, THIS COULD BECOME A BONE IN THE ALLIANCE THROAT. TO STATE THE OBVIOUS, THE SOONER WE MAKE OUR NATIONAL JUDGMENT ON GLCMS AND SLCMS, THE BETTER CHANCE WE HAVE TO INFLUENCE BRITISH AND EUROPEAN THINKING. THE CONCRETE SURROUNDING THIS ISSUE HASN'T HARDENED -- AS YET IT HASN'T EVEN BEEN POURED, BUT IT COULD BE WITHIN THE NEXT 12 MONTHS.

F. CONVENTIONAL ARMS TRANSFER. UK ARMS SALES OF ABOUT \$1.6 BILLION IN 1976 HELPED BRITAIN'S PAYMENTS BALANCE AND PLACED IT THIRD AMONG NONCOMMUNIST ARMS EXPORTERS. THE UK'S DEFENSE-INDUSTRIAL COMPLEX CURRENTLY EMPLOYS ABOUT 300,000 PEOPLE, AND ACCOUNTS FOR ABOUT 3.4 PERCENT OF TOTAL EXPORTS. GIVEN BRITAIN'S ECONOMIC CONDITION, ANY ACTION THAT WOULD RESTRICT POTENTIAL FOR EXPORT EXPANSION OR INCREASED EMPLOYMENT WOULD MEET SIGNIFICANT POLITICAL AND POPULAR RESISTANCE.

WHILE HMG IS SYMPATHETIC TO OUR VIEW THAT THE WORLD-WIDE CONVENTIONAL ARMS TRANSFERS, ESPECIALLY TO DEVELOPING COUNTRIES, MUST BE RESTRAINED, IT IS SKEPTICAL THAT EFFECTIVE AND EQUITABLE CONTROLS CAN EASILY OR QUICKLY BE ACHIEVED. TO OVERCOME BRITISH RESERVATIONS AND TRANSLATE ITS GENERAL SYMPATHY INTO ACTION, WE MUST FIRST CONVINCE HMG THAT WE CAN COALESCE MULTILATERAL COOPERATION INVOLVING, AS A MINIMUM, FRANCE,

ITALY, GERMANY AND BELGIUM. ADDITIONALLY, HMG WILL HOPE TO SEE A PARALLEL ACCEPTANCE OF RESTRAINT BY EASTERN BLOC COUNTRIES, PARTICULARLY THE USSR AND CZECHOSLOVAKIA. THUS, STRONG BRITISH SUPPORT IS LARGELY CONTINGENT ON RESTRAINT BEING ACCEPTED BY OTHER MAJOR ARMS EXPORTERS. HMG WILL PLAY A CONSTRUCTIVE ROLE IN OUR EFFORTS TO GET MULTINATIONAL AGREEMENT ON THE GUIDELINES FOR RESTRAINT, BUT WILL RESIST TAKING THE LEAD OR SETTING AN EXAMPLE THROUGH ACTS OF SPECIFIC SELF-DENIAL.

G. STANDARDIZATION. THE LEAD GIVEN BY THE PRESIDENT AT THE MAY NATO SUMMIT TO IMPROVING ALLIANCE CO-OPERATION IN WEAPONRY AND MORE RATIONAL DEFENSE PRODUCTION

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TION IS WELCOMED AND SUPPORTED BY HMG. BRITISH POLICY IS TO AID US IN OUR EFFORTS TO STRENGTHEN THE MECHANISMS OF ALLIANCE ARMAMENTS PLANNING WITH THE AIM OF UTILIZING BETTER THE ALLIES' COLLECTIVE DEFENSE RESOURCES. HOWEVER, WHILE BRITISH POLICY SUPPORTS THE OVERALL OBJECTIVE OF STANDARDIZATION, DOMESTIC ECONOMIC AND DEFENSE INDUSTRY IMPERATIVES DRIVE THE BRITISH TO EMPHASIZE

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GREATER COMMONALITY AND INTEROPERABILITY IN EQUIPMENT AS THE MORE IMPORTANT IMMEDIATE OBJECTIVES AND AS REALISTIC MEANS TO ACHIEVE A HIGHER DEGREE OF STANDARDIZATION.

FOR THE SHORT-TERM, AT LEAST, BRITAIN'S CONCERN ALSO IS TO INCREASE UK DEFENSE INDUSTRIES' ACCESS TO THE U.S. MARKET AND TO ENHANCE THEIR ABILITY TO SELL HIGH TECHNOLOGY ITEMS TO US IN ORDER "TO GET TRAFFIC FLOWING

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ON THE TWO-WAY STREET". THE BRITISH SEE GREATER U.S.-UK COLLABORATION AS A KEY STEP TO INCREASED STANDARDIZATION, SINCE IT WOULD SERVE AS A BASE FROM WHICH THE OTHER NATO PARTNERS COULD BE APPROACHED. THE BRITISH ALSO SEE THEMSELVES AS ENJOYING A SIGNIFICANT TECHNOLOGICAL LEAD IN DEFENSE EQUIPMENT OVER THEIR EUROPEAN PARTNERS, AND CONSIDER THIS TO BE A REALISTIC WAY TO PROCEED. HENCE, THEY WILL ARGUE THAT WE SHOULD NOT BE OVERLY CONCERNED ABOUT THE NEED FOR AN IEPG-AMERICAN DIALOGUE. THE QUADRIPARTITE MECHANISM AND THE CONFERENCE OF NATIONAL ARMAMENTS DIRECTORS (CNAD), THE BRITISH BELIEVE, ALREADY AFFORD AMPLE OPPORTUNITY FOR A U.S.-EUROPEAN DIALOGUE ON ARMS COLLABORATION. THEY AGREE, HOWEVER, THAT A U.S.-IEPG DIALOGUE CAN BEGIN IN DUE COURSE.

HMG HAS URGED THE IEPG TO MOVE GRADUALLY TOWARD INTEGRATION OF THE EUROPEAN DEFENSE INDUSTRIAL BASE, AN APPROACH THAT IS SEEN AS PRAGMATIC AND PRACTICAL. ACCORDINGLY, WHILE LONDON WILL HELP -- AND IN MANY WAYS TAKE THE LEAD -- TO GET THE IEPG TO AGREE ON A COHERENT APPROACH TOWARD EUROPEAN DEFENSE COLLABORATION, IT WILL NOT PERMIT SLOW PROGRESS TOWARD THAT GOAL TO INTERFERE WITH BENEFICIAL BILATERAL ARRANGEMENTS WITH THE U.S. -- OR ANY OTHER SUITABLE PARTNER. THIS MEANS THAT WE WILL HAVE TO KEEP CONSTANT PRESSURE ON THE UK TO SUPPORT PROGRESS TOWARD STANDARDIZATION,EVEN IF IT

MAY NOT INVOLVE EARLY MAJOR BENEFIT TO THE UK.

4. OTHER ISSUES - THE FOLLOWING ISSUES BEAR ON INTERESTS OF LESS IMPORTANCE TO THE UK AND ARE THOSE OVER WHICH THEY HAVE LITTLE DIRECT INFLUENCE.

A. HUMAN RIGHTS/CSCE - BRITISH POLITICAL AND PUBLIC OPINION LEADERS GENERALLY WELCOME THE ADMINISTRATION'S

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ELEVATION OF HUMAN RIGHTS CONSIDERATIONS IN U.S. FOREIGN POLICY DECISIONS, BUT HAVE RESERVATIONS ABOUT OUR AP-PARENT ZEAL. THE UK SUPPORTS U.S. INITIATIVES, IN THE UN AND ELSEWHERE, TO BRING INTERNATIONAL MACHINERY TO BEAR OBJECTIVELY ON SPECIFIC ABUSES OF HUMAN RIGHTS. IN CSCE, THE UK WILL STRONGLY SUPPORT BASKET III PRINCIPLES AND WORK FOR BETTER PERFORMANCE BY THE EAST, BUT EXPECTS TO COME UNDER FIRE FROM THE SOVIETS OVER NORTHERN IRELAND.

ON TACTICS AT BELGRADE, THE BRITISH WILL BE CAUTIOUS, BECAUSE OTHER UK OBJECTIVES ON EAST-WEST ISSUES WILL BE INVOLVED. HMG IS ALSO APPREHENSIVE THAT PRESSURE FROM CONGRESS AND PUBLIC INTEREST GROUPS MAY UNDERMINE OUR INTENTION TO PRESERVE THE CSCE PROCESS AND TO INCREASE EASTERN EUROPEAN TOLERANCE FOR ADDRESSING HUMAN RIGHTS ISSUES IN THAT CONTEXT. WE CAN EASE THESE CONCERNS BY EMPHASIZING, AT BELGRADE AND ELSEWHERE, THAT WE WISH TO SEE THE REVIEW CONDUCTED CAREFULLY AND WITHOUT ACRIMONY.

B. MIDDLE EAST - BRITISH POLICY ON THE ARAB-ISRAELI ISSUE IS GOVERNED BY VARIOUS AND OFTEN CONFLICTING FACTORS: THE ENORMOUS ECONOMIC IMPORTANCE FOR BRITAIN OF THE ARAB WORLD, AND BRITAIN'S PARTICIPATION IN THE INCREASINGLY PRO-ARAB JOINT POLICY OF THE EUROPEAN COMMUNITY TEND TO MOVE HMG IN ONE DIRECTION, WHILE THE POLITICAL INFLUENCE OF ISRAEL'S SUPPORTERS IN THE UK AND BRITAIN'S CLOSE ASSOCIATION WITH AND DEPENDENCE ON THE U.S. TEND TO DRIVE IT IN THE OTHER. SENSITIVE TO THESE CONFLICTING PRESSURES, THE BRITISH OFFER TO SERVE AS THE "BRIDGE" BETWEEN THE EC AND THE U.S. ON THE ISSUE. IN THE FINAL ANALYSIS, HOWEVER, THEY FEEL THAT IN VIEW OF THEIR OWN INTERESTS IN THE MIDDLE EAST THEY MUST GO ALONG WITH EC "LOWEST COMMON DENOMINATOR" POLICY STATEMENTS TENDING TO FAVOR ARAB POSITIONS THEY DEEM REASONABLE. THE BRITISH BELIEVE THAT SINCE THEY ARE ECONOMICALLY VULNERABLE AND SINCE THEIR OWN ABILITY

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TO ACT IS LIMITED, IT IS BETTER TO ABSTAIN IN SOME UN VOTING AND TO CONFINE THEMSELVES TO SUPPORTING U.S. POLICY INITIATIVES, WITH THE QUALIFICATIONS THAT THEY WISH (1) TO CONTINUE TO IMPRESS ON THE USG THE IMPERATIVE NEED FOR STRONG AND EARLY ACTION TO ACHIEVE A PEACE SETTLEMENT, AND (2) TO JOIN IN AND TRY TO INFLUENCE THE EC POLICY STATEMENTS.

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C. NORTH-SOUTH DIALOGUE - U.S.-UK INTERESTS AND OBJECTIVES IN THE NORTH-SOUTH DIALOGUE ARE GENERALLY CONGRUENT ON THE MAJOR ISSUES SUCH AS THE COMMODITIES

COMMON FUND AND DEBT RELIEF, THOUGH THERE ARE MINOR SUBSTANTIVE DIFFERENCES. THE MAIN NEED IS TO ENSURE CLOSE USG CONSULTATION AND COOPERATION WITH BRITAIN AND OTHERS IN THE EC BEFORE U.S. AND EC POSITIONS ARE DETERMINED.

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D. CYPRUS - BRITAIN REMAINS ENGAGED IN CYPRUS, FULLY SUPPORTING U.S. OBJECTIVES ON A SETTLEMENT AND ON SHORING UP THE SOUTHERN FLANK. BUT WITH ITS LIMITED RESOURCES AND PREOCCUPATION WITH INTERNAL PROBLEMS, THE UK WILL LET THE U.S. KEEP THE LEAD ON THIS AND RELATED AEGEAN ISSUES WHILE SEEKING TO EXERT ITS INFLUENCE THROUGH THE EC, IN ITS MEDIATOR ROLE, AND THE COMMONWEALTH. HMG HAS ALSO VOICED CONCERN OVER THE COST OF MAINTAINING THE SOVEREIGN BASE AREAS (SBA), BUT THUS FAR THE VIEW THAT NO CHANGE IN SBA STATUS CAN BE CONTEMPLATED PRIOR TO A CYPRUS SETTLEMENT HAS PREVAILED. WE FORESEE CONTINUED STRONG UK SUPPORT FOR OUR EFFORTS TO RESOLVE CYPRUS AND GREEK-TURKISH DIFFICULTIES, BUT THE SBA ISSUE COULD BECOME PRICKLY IN U.S.-UK RELATIONSHIPS IF EITHER SIDE ALLOWS BUDGETARY CONSIDERATIONS TO DETERMINE POLICY. IN VIEW OF THE DEGREE TO WHICH U.S. AND UK INTERESTS IN CYPRUS INTERLOCK, IT IS TO OUR ADVANTAGE TO MAINTAIN A CONTINUOUS AND CANDID DIALOGUE WITH THE BRITISH ON THIS ISSUE.

E. LAW OF THE SEA - THE U.S. AND UK HAVE BASICALLY SIMILAR GOALS ON THE LOS CONFERENCE. WE ARE IN AGREEMENT IN SUCH AREAS AS FREEDOM OF THE SEAS, PASSAGE THROUGH STRAITS, DEEP SEABED MINING AND MARINE SCIENTIFIC RESEARCH. THE BRITISH, HOWEVER, OPPOSE U.S. ATTEMPTS TO REGULATE STANDARDS AND OPERATIONS OF MERCHANT VESSELS WITH REGARD TO POLLUTION IN TERRITORIAL WATERS. WE DO NOT ANTICIPATE ANY SIGNIFICANT CHANGE IN THEIR POSITION.

F. BRITAIN IN EUROPE - WHILE ACCEPTING THE LONG-STANDING U.S. POLICY THAT THE UK IS BETTER IN THE COMMUNITY THAN OUT, WE QUESTION WHETHER WE SHOULD GIVE HIGH PRIORITY TO PUSHING HMG TOWARD THE CONTINENT. WHILE THE GOVERNMENT REGARDS BRITISH MEMBERSHIP IM-

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PURTANT, IT IS NOT ENTHUSIASTIC ABOUT FURTHER MOVES TOWARD FEDERATION, IN PART BECAUSE OF THE LABOR PARTY'S ANTI-PATHY TOWARD THE EC, WHICH IS ECHOED IN THE POPULACE AT LARGE. BRITISH MEMBERSHIP IN THE EC HAS CO-

INCIDED ALMOST EXACTLY WITH THE POST-73 WORLD RECESSION, AND THESE TWO EVENTS HAVE FUSED IN THE MINDS OF MANY BRITONS. WEAK COALITION GOVERNMENTS, WIDESPREAD ECONOMIC DIFFICULTIES, A GROWING IDEOLOGICAL AND ECONOMIC DIVISION BETWEEN NORTH AND SOUTH, A HALT IN PROGRESS TOWARD EUROPEAN UNIFICATION AND POLITICAL UNCERTAINTIES IN FRANCE, ITALY AND THE FRG ALSO MAKE IT HARD IN THE UK TO SELL STOCK IN EUROPE.

5. IMPLICATIONS OF A CONSERVATIVE GOVERNMENT - A TORY INCUMBENCY IN WHITEHALL WILL BRING UNCERTAINTIES, ADVANTAGES AND DISADVANTAGES. WHILE THE CONSERVATIVES MAY PROVE MORE DIFFICULT TO WORK WITH, THE SUBSTANCE OF OUR BASIC, COMMON INTERESTS WITH BRITAIN WILL REMAIN LARGELY UNALTERED. IF A CONSERVATIVE GOVERNMENT DOES APPEAR, IT WILL FACE MANY OF THE SAME LIMITS AND CONSTRAINTS THAT HAVE INFLUENCED LABOR POLICIES. IN THE VAGUE OUTLINES OF ITS PROGRAM, THE PARTY PROPOSES A SIGNIFICANT IF GRADUAL REDIRECTION OF THE ECONOMY. IF SUCH CHANGES ARE EFFECTED -- SIGNIFICANT REDUCTIONS IN PUBLIC EXPENDITURE OR INDUSTRIAL RELATIONS REFORMS, FOR EXAMPLE -- AND APPEAR TO RUN COUNTER TO THE INTERESTS OF THE UNIONS, THE TORIES WILL HAVE TO ANSWER THE QUESTION THAT HAS STALKED THE PARTY FOR ALMOST FOUR YEARS: CAN THEY GOVERN BRITAIN? DEMONSTRATING THE AFFIRMATIVE WOULD BE THE MOST IMPORTANT POLITICAL GOAL OF MRS. THATCHER'S INCUMBENCY.

FOREIGN POLICY, THEN, WILL ALSO BE SECONDARY FOR THE CONSERVATIVES. THEIR GENERAL APPROACH WILL LIKELY HAVE A HIGHER IDEOLOGICAL CONTENT, BUT ITS SUBSTANCE WILL DEPEND IN LARGE MEASURE ON THOSE MRS. THATCHER APPOINTS AS HER PRINCIPAL FOREIGN POLICY ADVISERS. ONCE IN POWER, WE SUSPECT THE TORIES WILL BE MORE PRAGMATIC IN THEIR

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FOREIGN UNDERTAKINGS THAN THEIR PRESENT RHETORIC SUGGESTS.

WE WOULD NOT, HOWEVER, EXPECT A CONSERVATIVE GOVERNMENT TO MAINTAIN THE INTENSITY OF THE CURRENT GOVERNMENT'S EMPHASIS ON THE "SPECIAL" U.S.-UK RELATIONSHIP. THE TENDENCY WOULD BE TO SUBORDINATE THE TRANS-ATLANTIC PREFERENCE TO THE COMMITMENT TO EUROPE, AS DID THE HEATH

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GOVERNMENT IN 1973, THOUGH ANY ENSUING U.S.-UK DIFFERENCES ARE UNLIKELY TO BE AS SEVERE. COMMUNIST PARTICIPATION IN THE FRENCH OR ITALIAN GOVERNMENTS, HOWEVER, WOULD PROBABLY FRUSTRATE FULL DEVELOPMENT OF THIS TENDENCY.

ON SECURITY ISSUES, THE TORIES ARE PLEDGED TO RESTORE LABOR CUTS IN THE DEFENSE BUDGET AND TO MEET THE NATO PREPAREDNESS GOALS AGREED AT THE NATO SUMMIT LAST

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MAY. WHETHER MONEY WOULD ACTUALLY BE AVAILABLE REMAINS TO BE SEEN. A CONSERVATIVE GOVERNMENT WILL BE ESPECIALLY ALERT TO POSSIBILITIES THAT OUR DECISIONS IN ARMS CONTROL NEGOTIATIONS MIGHT COMPROMISE THEIR PERCEPTION OF BRITAIN'S SECURITY INTERESTS. U.S. STRATEGIC CHOICES WILL RECEIVE CLOSE CONSERVATIVE SCRUTINY FOR THEIR RAMI-

FICATIONS ON WEST EUROPEAN DEFENSE. WE CAN EXPECT STRONG, IF SELECTED, ENDORSEMENT OF OUR INITIATIVES ON HUMAN RIGHTS. THE CAUSE OF HUMAN RIGHTS IN EASTERN EUROPE AND THE POLICING OF CSCE AGREEMENTS WILL BE ENTHUSIASTICALLY SUPPORTED BY THE TORIES, BUT INTEREST IN HUMAN RIGHTS IN THE THIRD WORLD, AND PARTICULARLY IN SOUTHERN AFRICA, WILL BE OVERRIDDEN BY WHAT THE LEADERSHIP WOULD PERCEIVE AS WIDER SECURITY INTERESTS. ON THE MIDDLE EAST, THE TORIES ARE LIKELY TO SHIFT SLIGHTLY TOWARD CLOSER COORDINATION WITH THE EC AT THE EXPENSE OF COOPERATION WITH THE U.S.

AT LEAST INITIALLY WE WOULD FIND OURSELVES AT CROSS PURPOSES WITH A CONSERVATIVE GOVERNMENT ON SOUTHERN AFRICAN ISSUES. WHILE TORY LEADERS HAVE NO QUARREL WITH THE GOAL OF MAJORITY RULE IN RHODESIA, THEY SEE THE PRESENT RHODESIAN CRISIS PRIMARILY AS A MANIFESTATION OF SOVIET EXPANSIONISM THREATENING WESTERN SECURITY IN ALL OF SOUTHERN AFRICA. FOR ECONOMIC AND EMOTIONAL AS WELL AS STRATEGIC, REASONS, THE CONSERVATIVES CANNOT NOW ENVISAGE CIRCUMSTANCES THAT WOULD ALLOW THEM TO COUNTENANCE SANCTIONS AGAINST SOUTH AFRICA OVER ITS INTERNAL POLITICS. BUT ALTHOUGH RHODESIA AND SOUTH AFRICA REMAIN POPULAR AND IDEOLOGICAL CAUSES AMONG TORY BACKBENCHERS, THE VIEWS OF THE CONSERVATIVE LEADERSHIP COULD BE MODIFIED ONCE THEY ARE IN POWER AND THE RELATIONSHIP WITH THE UNITED STATES IN SOUTHERN AFRICA DEVELOPS.

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